

Senate Engrossed House Bill

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
First Regular Session  
2003

CHAPTER 151

# HOUSE BILL 2032

AN ACT

AMENDING SECTION 20-2110, ARIZONA REVISED STATUTES; RELATING TO INSURANCE UNDERWRITING.

(TEXT OF BILL BEGINS ON NEXT PAGE)



1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-2110, Arizona Revised Statutes, is amended to  
3 read:

4 20-2110. Reasons for adverse underwriting decisions

5 A. In the event of an adverse underwriting decision the insurance  
6 institution or insurance producer responsible for the decision shall either  
7 provide the applicant, policyholder or individual proposed for coverage with  
8 the specific reason for the adverse underwriting decision in writing or  
9 advise the person, in writing, that upon written request the person may  
10 receive the specific reason in writing and provide the applicant,  
11 policyholder or individual proposed for coverage with a summary of the rights  
12 established under subsection B of this section and sections 20-2108 and  
13 20-2109.

14 B. Upon receipt of a written request within ninety business days from  
15 the date of the mailing of notice or other communication of an adverse  
16 underwriting decision to an applicant, policyholder or individual proposed  
17 for coverage, the insurance institution or insurance producer shall furnish  
18 to the person within twenty-one business days from the date of receipt of the  
19 written request:

20 1. The specific reason for the adverse underwriting decision, in  
21 writing, if the information was not initially furnished in writing pursuant  
22 to subsection A of this section.

23 2. The specific items of personal and privileged information that  
24 support those reasons except that:

25 (a) The insurance institution or insurance producer is not required  
26 to furnish specific items of privileged information if it has a reasonable  
27 suspicion, based upon specific information available for review by the  
28 director, that the applicant, policyholder or individual proposed for  
29 coverage has engaged in criminal activity, fraud, material misrepresentation  
30 or material nondisclosure.

31 (b) Specific items of medical record information supplied by a medical  
32 care institution or medical professional shall be disclosed either directly  
33 to the individual about whom the information relates or to a medical  
34 professional designated by the individual and licensed to provide medical  
35 care with respect to the condition to which the information relates, at the  
36 option of the insurance institution or insurance producer.

37 3. The names and addresses of the institutional sources that supplied  
38 the specific items of information pursuant to paragraph 2 of this subsection,  
39 except that the identity of any medical professional or medical care  
40 institution shall be disclosed either directly to the individual or to the  
41 designated medical professional, whichever the insurance institution or  
42 insurance producer prefers.

43 C. The obligations imposed by this section upon an insurance  
44 institution or insurance producer may be satisfied by another insurance  
45 institution or insurance producer authorized to act on its behalf.

1 D. If an adverse underwriting decision results solely from an oral  
2 request or inquiry, the explanation of the specific reasons and summary of  
3 rights required by subsection A of this section may be given orally.

4 E. In providing the specific reason for an adverse underwriting  
5 decision based on credit related information contained or not contained in  
6 an individual's consumer report, the insurance institution or agent shall  
7 provide at least the following information:

8 1. That the decision was based in part on a consumer report or the  
9 absence of credit history.

10 2. The source of the consumer report and how the individual may obtain  
11 a copy of the consumer report.

12 ~~3. The following list of typical items relative to an individual's~~  
13 ~~credit history that could affect the consumer report:~~

14 ~~(a) Numerous revolving accounts.~~

15 ~~(b) Numerous new accounts.~~

16 ~~(c) A large revolving credit balance.~~

17 ~~(d) Past due balances.~~

18 ~~(e) The presence of collection accounts.~~

19 ~~(f) A derogatory public record.~~

20 3. A DESCRIPTION OF UP TO FOUR FACTORS THAT WERE THE PRIMARY CAUSE FOR  
21 THE ADVERSE ACTION THAT RESULTED FROM THE INSURANCE SCORE.

22 F. AN INSURER SHALL NOT USE THE FOLLOWING TYPES OF CREDIT HISTORY TO  
23 CALCULATE AN INSURANCE SCORE TO DETERMINE PROPERTY OR CASUALTY PREMIUMS FOR  
24 INSURANCE TRANSACTIONS THAT ARE SUBJECT TO THIS ARTICLE AND SHALL NOT  
25 KNOWINGLY USE AN INSURANCE SCORE DEVELOPED BY A THIRD PARTY IF THE SCORE IS  
26 CALCULATED USING ANY OF THE FOLLOWING TYPES OF CREDIT HISTORY:

27 1. THE ABSENCE OF CREDIT HISTORY OR THE INABILITY TO DETERMINE THE  
28 CONSUMER'S CREDIT HISTORY UNLESS THE INSURER'S ACTION IS ACTUARIALLY  
29 JUSTIFIED OR THE INSURER TREATS THE CONSUMER AS IF THE CONSUMER HAD NEUTRAL  
30 CREDIT INFORMATION, AS DEFINED BY THE INSURER.

31 2. CREDIT HISTORY OR AN INSURANCE SCORE BASED ON COLLECTION ACCOUNTS  
32 IDENTIFIED WITH A MEDICAL INDUSTRY CODE.

33 3. A BANKRUPTCY OR A LIEN SATISFACTION THAT IS MORE THAN SEVEN YEARS  
34 OLD.

35 4. THE CONSUMER'S USE OF A PARTICULAR TYPE OF CREDIT CARD, CHARGE CARD  
36 OR DEBIT CARD UNLESS ACTUARIALLY JUSTIFIED.

37 5. THE CONSUMER'S TOTAL AVAILABLE LINE OF CREDIT, EXCEPT THAT AN  
38 INSURER MAY CONSIDER THE TOTAL AMOUNT OF OUTSTANDING DEBT IN RELATION TO THE  
39 TOTAL AVAILABLE LINE OF CREDIT.

40 6. AN INSURANCE SCORE THAT IS CALCULATED USING THE INCOME, GENDER,  
41 ADDRESS, ZIP CODE, ETHNIC GROUP, RELIGION, MARITAL STATUS OR NATIONALITY OF  
42 THE CONSUMER AS A FACTOR. THIS SECTION DOES NOT PROHIBIT AN INSURER FROM  
43 USING ZIP CODE, ADDRESS, GENDER AND MARITAL STATUS INFORMATION FOR  
44 UNDERWRITING PURPOSES.

45 Sec. 2. Effective date

46 This act is effective from and after August 31, 2004.

Passed the House March 5, 2003

Passed the Senate April 10, 2003

by the following vote: 47 Ayes,

by the following vote: 28 Ayes,

12 Nays, 1 Not Voting

0 Nays, 2 Not Voting

Jake Flake  
Speaker of the House

Ken Blumentritt  
President of the Senate

Norman L. Moore  
Chief Clerk of the House

Channing Bellington  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

H.B. 2032

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 30, 2003,

by the following vote: 43 Ayes,

14 Nays, 3 Not Voting

Jake Flaherty  
Speaker of the House  
Norman L. Moore  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

30 day of April, 2003

at 12:21 o'clock P M.

Sandra Ramirez  
Secretary to the Governor

Approved this 6 day of

May, 2003,

at 2<sup>10</sup> o'clock P M.

Jt. Neg. Lt.  
Governor of Arizona

H.B. 2032

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 6 day of May, 2003,

at 4:26 o'clock P M.

James L. Brewster  
Secretary of State